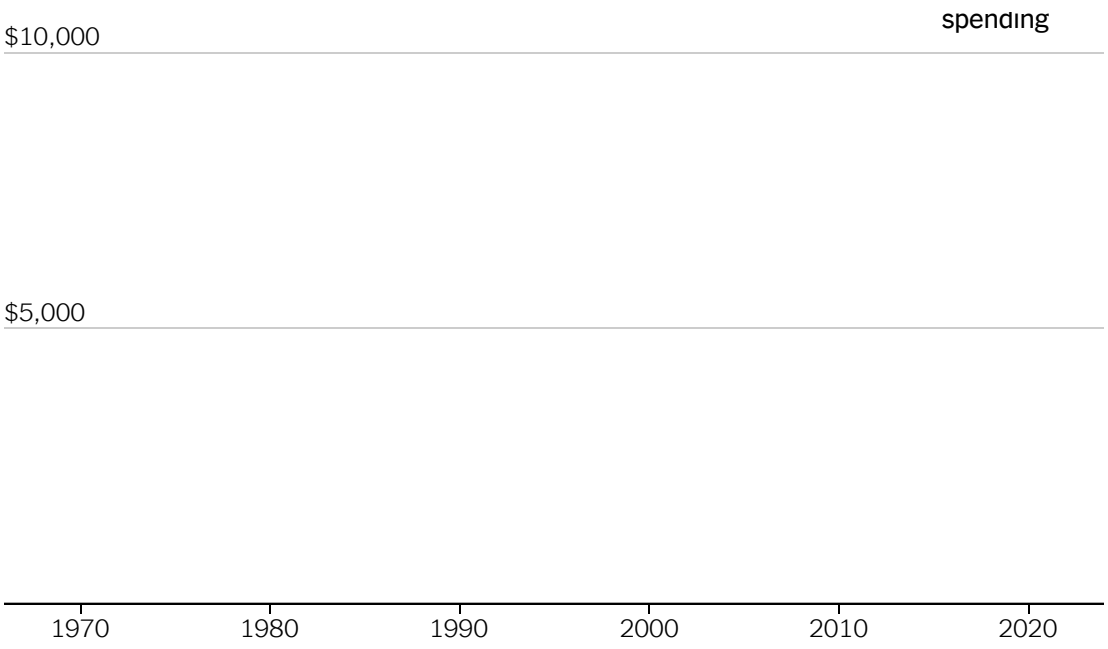
For nearly as long as Medicare has existed, it has been a notorious budget buster, alarming a wide range of politicians and budget experts.

$22,006
2023
Annual Medicare spending per beneficiary
Recent trend
$20,000
$3.9
trillion gap
$15,000
$12,459
2023
Actual


spending
$10,000
$5,000
1970
1980
1990
2000
2010
2020

In **1983**, Ronald Reagan said: "The need for action now is clear. **Health care costs are climbing** so fast they may soon threaten the quality of care and access to care which Americans enjoy."

In **1995**, the Medicare trustees warned, "Prompt, effective, and decisive **action is necessary.**"

In **2011**, Barack Obama said, “If you look at the numbers, then **Medicare in particular will run out of money** and we will not be able to sustain that program no matter how much taxes go up.”

If the rate of growth had kept up, the dotted line - - - shows how much Medicare would have gone on to spend on each beneficiary.

But that’s not what happened.

The difference is enormous.

And no one is quite sure why.

TheUpshot

A Huge Threat to the U.S. Budget Has Receded. And No One Is Sure Why.

By Margot Sanger-Katz, Alicia Parlapiano and Josh Katz Sep. 4, 2023

For decades, runaway Medicare spending was the story of the federal budget.

Now, flat Medicare spending might be a bigger one.

Something strange has been happening in this giant federal program. Instead of growing and growing, as it always had before, spending per Medicare beneficiary has nearly leveled off over more than a decade.

The trend can be a little hard to see because, as baby boomers have aged, the number of people using Medicare has grown. But it has had enormous consequences for federal spending. Budget news often sounds apocalyptic, but the Medicare trend has been unexpectedly good for federal spending, saving taxpayers a huge amount relative to projections.

“Without a doubt, this is the most important thing that has happened to the federal budget in the last 20 years,” said David Cutler, a professor of health policy and medicine at Harvard, who helped the Obama White House develop the Affordable Care Act.

The reason for the per-person slowdown is a bit of a mystery. Scholars have been arguing about it for years, but no one seems sure enough to confidently predict whether it is likely to stick around for much longer.

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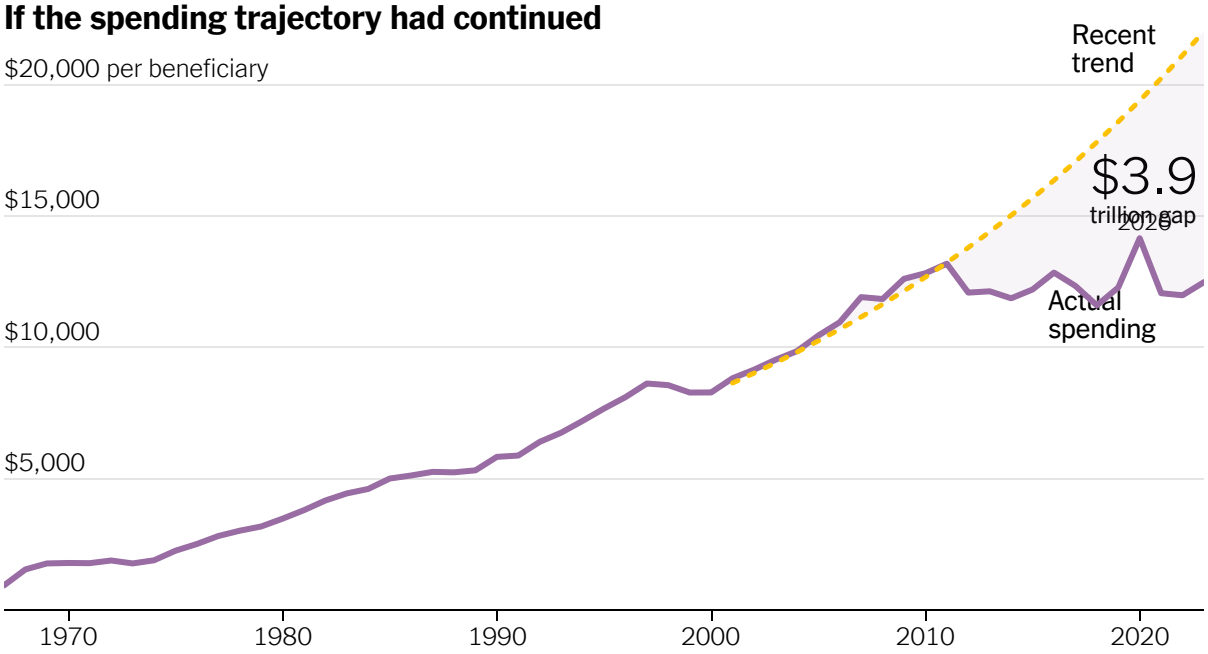
Some of the reductions are easy to explain. Congress changed Medicare policy. The biggest such shift came with the Affordable Care Act in 2010, which reduced Medicare's payments to hospitals and to health insurers that offered private Medicare Advantage plans. Congress also cut Medicare payments as part of a budget deal in 2011.

But most of the savings can't be attributed to any obvious policy shift. In a recent letter to the Senate Budget Committee, economists at the Congressional Budget Office described the huge reductions in its Medicare forecasts between 2010 and 2020. Most of those reductions came from a category the budget office calls "technical adjustments," which it uses to describe changes to public health and the practice of medicine itself.

Older Americans appear to be having fewer heart attacks and strokes, the likely result of effective cholesterol and blood pressure medicines that became cheap and widely used in recent years, according to research from Professor Cutler and colleagues. And drug makers and surgeons haven't developed as many new blockbuster treatments recently — there has been no new Prozac or angioplasty to drive up spending. (Medicare is currently barred by statute from covering the new class of expensive anti-obesity drugs.)

Parts of the health system appear to have become more efficient, as medical providers have been more cautious about adopting new therapies without much evidence, and more care has shifted outside hospitals into cheaper settings.

If the spending trajectory had continued



Sources: New York Times analysis of data from the Congressional Budget Office, the White House Office of Management and Budget, and the Medicare board of trustees. • Note: Mandatory Medicare outlays adjusted for inflation using the G.D.P. price index.

"What I've been arguing for more than a decade now is something that's very difficult to quantify but is nonetheless real," said Melinda Buntin, who measured the trend as a deputy assistant director at the Congressional Budget Office, and now studies it as a professor at Johns Hopkins. Professor Buntin says the direction of recent federal policies and choices by private insurers have caused doctors, nurses and hospital administrators to become more cost-conscious.

That budgetary good news isn't all good news for people with Medicare. Reductions in heart attacks and strokes have had big benefits for public health, but the paucity of major medical breakthroughs has been accompanied by slowing improvements in life expectancy for seniors. The cost containment strategies in hospitals may mean patients have been denied the treatments of their choice.

Medicare may even wind up saving money because of Covid-19 — because the older Americans who died from the disease tended to have other illnesses that would have been expensive to treat if they had survived, according to an analysis from the Medicare actuary.

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If Medicare spending had grown the way it had for much of its history, federal spending would have been $3.9 trillion higher since 2011, and

deficits would have been more than a quarter larger, according to an Upshot analysis. The difference is more than could be saved by raising the eligibility age for Social Security or converting Medicaid into a block grant, controversial proposals raised by legislators concerned about the federal debt.

It's so much money that almost no major legislation passed during this period comes close in scale. Even some major deficit reduction proposals, like the one known as Simpson-Bowles, aren't much bigger. The Trump tax cuts cost an estimated $2 trillion over 10 years. The recent deficit reduction deal passed by Congress will save a relatively modest trillion dollars in comparison. A new Medicare policy that will allow it to negotiate on the prices of some prescription drugs is expected to save just under $100 billion over a decade.

"There is basically no recent history of the kind of actual budgetary savings similar to what we have seen with the Medicare spending slowdown," said Joshua Gordon, the director of health care policy at the Committee for a Responsible Federal Budget, a group that supports deficit reduction.

$3.9 trillion is ...

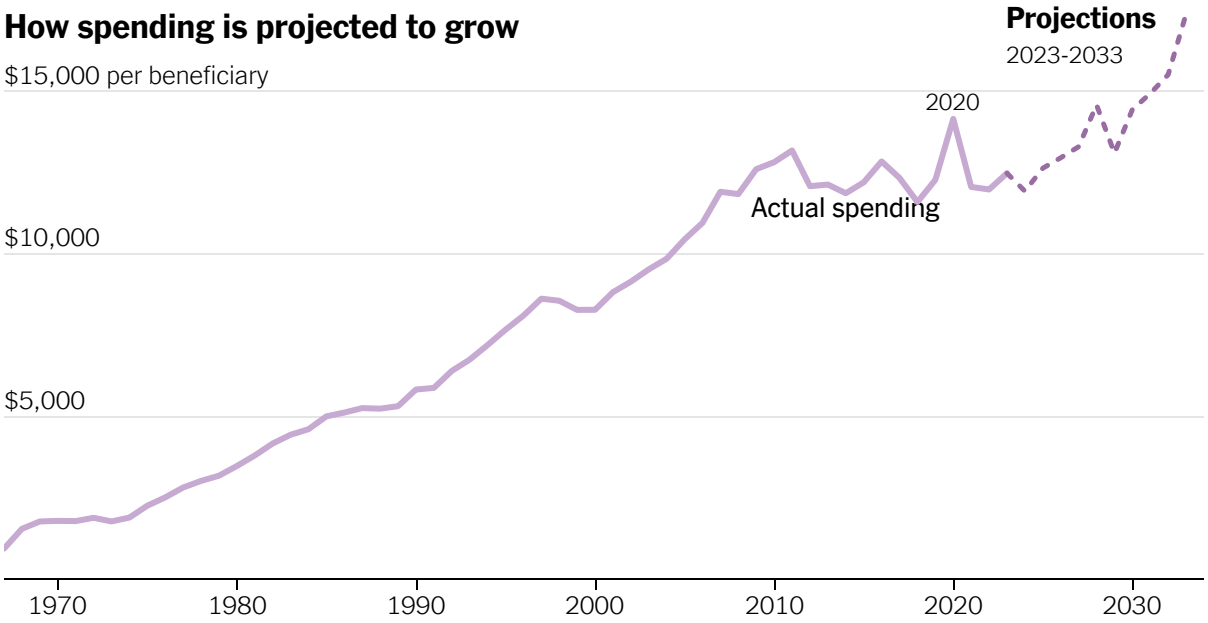
85%	All federal pandemic relief
1.8x	Wars in Iraq and Afghanistan (military spending)
2.4x	All federal student loan debt
3.5x	War in Iraq (military spending)
5x	All military spending in one year
6x	Walmart revenue FY23
14x	Veterans spending in one year
18x	Salaries of all public school teachers in one year
27x	Food stamps (SNAP) in one year
46x	Homeland security spending in one year
161x	NASA spending in one year

Sources: New York Times analysis of data from the Congressional Budget Office, the White House Office of Management and Budget, and the departments of defense and education.

Those savings have affected Congress's appetite for other budgetary choices. Medicare itself might look very different if it had been consistently busting the budget. In 2011, near the beginning of the trend, congressional Republicans were talking seriously about changing the very structure of Medicare by converting it into a private voucher program to constrain its future cost. Mitt Romney's presidential platform in 2012 featured such a plan. Proposals of that sort have fallen out of favor in recent years.

The fact that spending has remained so much lower than expected "has allowed us to put these decisions off for a while," said Sherry Glied, the dean of the Wagner School of public service at N.Y.U., who has evaluated several proposed long-term options for managing Medicare's finances.

But Medicare's spending is unlikely to disappear as a concern for the budget and policymakers. An aging population means the number of Americans relying on the program is growing rapidly. And analysts continue to worry that the trend is an aberration, and that some new development — an effective Alzheimer's drug, a cultural turn away from cost cutting, the health burden of long Covid or some other chronic condition — will return Medicare spending to form. The Congressional Budget Office, which has lowered its forecasts repeatedly during the period in the face of lower spending, continues to expect growth to tick up again soon.



Sources: New York Times analysis of data from the Congressional Budget Office, the White House Office of Management and Budget, and the Medicare board of trustees. • Note: Mandatory Medicare outlays adjusted for inflation using the G.D.P. price index.

Medicare is growing more slowly than ever, but still more quickly than the rest of the federal budget. If the slowdown per beneficiary ends, it will strain the Medicare trust fund and drive up the federal debt — and may dominate the Washington policy conversation again. That means the uncertainty about the future has high stakes.

“I used to call this the trillion dollar question,” Professor Buntin said. “But now it’s more than a trillion dollars.”